

Minnesota Housing Multifamily Programs

Program Term Sheet



FHA/HUD Section 223(f):

Acquisition and Refinancing of Multifamily Properties

Mortgages financed under Section 223(f) of the National Housing Act are insured by the Federal Housing Administration (FHA) to facilitate the acquisition, refinance or moderate rehabilitation of multifamily rental housing.

PARAMETERS	REQUIREMENTS
Eligible Properties	Existing multifamily rental apartments with at least five rental units; market rate, moderate income or subsidized rents. Project must be completed or substantially rehabilitated more than three years prior to date of application for mortgage insurance.
Loan Purpose	Acquisition or refinance. For-profit or nonprofit borrowers may utilize this program.
Loan Parameters	<p>Maximum loan amount will be the <i>lowest</i> of:</p> <ul style="list-style-type: none"> • Applicable % of LTV • Applicable Debt Service Coverage Ratio • 85% of Transaction Costs, if purchase transaction • Greater of 100% of Transaction Costs or 80% LTV, if refinancing transaction • HUD Mortgage Statutory Limits, adjusted for local high cost factors <p>For market rate properties, applicable factors: 83.3% LTV, 1.20 DSCR For affordable properties, applicable factors: 85% LTV, 1.176 DSCR For properties with 90% or > rental assistance, applicable factors: 87% LTV, 1.15 DSCR For 202 properties, applicable factors: 90% LTV, 1.11 DSCR</p>
Term and Amortization	A maximum term of 35 years, fully amortizing
Borrower	Single asset entity
Recourse	Non-recourse
Interest Rate	Fixed for term of loan, determined by market conditions at time of rate lock
Prepayment and Assumption	Negotiable; typically includes a lockout followed by a declining percentage prepayment penalty. Loan is fully assumable subject to HUD approval.
Cash Out	Cash out allowed when 80% of value exceeds existing debt plus transaction costs. Only 50% of the net cash will be released at closing; remaining 50% will be escrowed until completion, inspection and approval of the non-critical (immediate) repairs.
Repairs Qualifications	Repairs cannot exceed \$6,500 per unit (adjusted for local high cost factor), 15% of appraised value, or 50% replacement of two or more major building systems
Third Party Reports	Including, but not limited to: Appraisal, Environmental, Radon, Market Study and Physical Needs Assessment, as required

PARAMETERS	REQUIREMENTS			
Fees and Expenses	<ul style="list-style-type: none"> Processing Fee to cover third party reports, lender processing and other application materials due at engagement FHA Exam Fee of 0.3% of loan amount, due with submission of firm application FHA Mortgage Insurance Premium, 1% due at closing; then escrowed monthly: <ul style="list-style-type: none"> 0.60 % times loan amount for market rate projects 0.45% times loan amount for affordable and subsidized projects FHA Inspection Fee: <ul style="list-style-type: none"> \$1,500 where repair totals are less than \$100,000 \$30 per unit where repairs total more than \$100,000 but are \$3,000 or less per unit Greater of \$30 per unit or 1% of repairs if repairs total more than \$3,000 per unit Financing fee payable at closing Good Faith Deposit due at Note rate lock 			
Escrows	<ul style="list-style-type: none"> Replacement reserve required and the monthly deposit amount determined in accordance with HUD guidelines on a property-specific basis Taxes and insurance are escrowed monthly 			
2014 Non-Elevator Building Cost Limits	Bedroom Size	Base Cap per Unit	MN HCA %	MN Cost per Unit Cap
	0	\$48,946	270%	\$132,154
	1	\$55,560	270%	\$150,012
	2	\$67,158	270%	\$181,327
	3	\$84,295	270%	\$227,597
	4+	\$95,521	270%	\$257,907
2014 Elevator Building Cost Limits	Bedroom Size	Base Cap per Unit	MN HCA %	MN Cost per Unit Cap
	0	\$52,871	270%	\$142,752
	1	\$60,610	270%	\$163,647
	2	\$73,702	270%	\$198,995
	3	\$95,345	270%	\$257,432
	4+	\$104,661	270%	\$282,585